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Report Highlights:

Additional Duty-Free Quotas for U.S. Poultry Products*Apple Growers Continue to Push for Higher Reference Prices*Rice Imports to Mexico Slapped With Trade Sanctions*Mexican Pig Farmers Block Bridge*Mexico Begins Water Payback to U.S.*China Textile Exports to U.S. Hit Mexico Hard*Congressmen Demand a Strategy to Counteract U.S. Ag Subsidies

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1], MX

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

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ADDITIONAL DUTY-FREE QUOTAS FOR U.S. POULTRY PRODUCTS

The Secretariat of Economy (SE) announced on June 4, 2002, in the *Diario Oficial* (Mexico's Federal Register) that it is increasing duty free quotas of U.S. poultry carcasses under NAFTA. The 2002 duty free tariff rates quotas (TRQs) for U.S. poultry carcasses for the second half are for 4,904 MT (HTS numbers 0207.13.02 and 0207.14.03). Chicken frames will be assigned by direct allocation to TIF plants producing cold cuts. According to the publication, SE will allocate 95 percent of the total quota to traditional importers and 5 percent to new importers. Imports must be completed by December 31, 2002. For additional information, see Report MX2091. (Source: *Diario Oficial*, 6/4/02)

APPLE GROWERS CONTINUE TO PUSH FOR HIGHER REFERENCE PRICES

Mexican apple producers have gone directly to the offices of the Republic General Attorney, the Supreme Court of Justice of the Nation, and the Office of the Presidency to demand that the Secretariat of Economy (SE) enforce the increase of the reference price for imported apples from the United States. Mr. Enrique Bautista, President of the Apple Growers Association (UNIFRUT), explained that SE maintains a low reference price of US\$11.05 per box, despite the fact that this Association won a court injunction in March 2001. According to UNIFRUT, the break-even point for U.S. apples is higher than US\$13 per box, therefore U.S. apples enter Mexico under a devaluated price that is compensated by subsidies and compete unfairly with domestic apples. (Source: *El Financiero*, 6/05/02)

RICE IMPORTS TO MEXICO SLAPPED WITH TRADE SANCTIONS

The Mexican Rice Council (CMA) said it would protest the Economic Secretariat's (SE) decision to exempt two large U.S. rice exporting companies, Farmers Rice Milling Company and Riceland Foods, from trade sanctions under an anti-dumping complaint filed by Mexican rice producers against U.S. rice exporters. Antonio de Alba Villar, general director of CMA said that Mexican rice producers and millers are not happy with SE's decision because both of the above

mentioned companies are the U.S.'s largest exporters of rice and the principal exporters to

Mexico. CMA feels that by having exempted these two companies from trade sanctions they will now monopolize Mexican imports of rice from the United States. (Source: *El Financiero*, 6/10/02)

MEXICAN PIG FARMERS BLOCK BRIDGE

On Monday, June 10, 2002, about 600 pig farmers from northern Mexico blocked an international bridge on the U.S. border for more than five hours to demand support from the Mexican government. Carrying placards urging Mexico's government to offer them the same subsidies that U.S. farmers receive, protesters parked their cars on the World Trade Bridge between Nuevo Laredo, Mexico, and Laredo, Texas. Border Administrator Andres Fernandez said more than 1,000 trailers were stranded on the bridge at the height of the protest, and traffic was backed up for miles on both sides of the border. (Source: *The News*, 6/11/02)

MEXICO BEGINS WATER PAYBACK TO U.S.

According to a local newspaper, the northern state of Chihuahua will pay its water debt with Texas depending on the amount of rain permitted by nature. After Chihuahua made a partial payment on Wednesday, June 12, 2002, the state's Rural Development Secretary, Jose Luis Garcia, underlined the willingness of the government of Governor Patricio Martinez to cover the quota corresponding to Chihuahua under the 1944 water treaty signed by Mexico and the United States. According to Garcia, Chihuahua was able to pay part of the debt without draining dams thanks to recent rain, which has dumped 62 cubic meters of water per second into the state's water system. (Source: *The News*, 6/14/02)

CHINA TEXTILE EXPORTS TO U.S. HIT MEXICO HARD

Mexico's textile exports are quickly losing their share of the U.S. market to Chinese products. According to Nora Ambriz, Director General of the National Textile Industry Chamber (Canaintex), Mexico lost its position as the second largest textile exporter to the United States during the first quarter of 2002 as Chinese textiles flooded into the U.S. market following its admittance into the World Trade Organization (WTO) late last year. Aided by reduced tariffs under WTO rules, China became the No. 1 textile exporter to the U.S. during the January to March period, pushing Canada and Mexico into second and third places respectively, Ambriz said. According to Canaintex, Mexican textile exports to the United States fell 4 percent during the first quarter as Chinese sales rose 27 percent. (Source: *The News*, 6/14/2002)

CONGRESSMEN DEMAND A STRATEGY TO COUNTERACT U.S. AG SUBSIDIES

Mexican congressmen from the Partido Revolucionario Institucional (PRI) and the Partido Revolucionario Democratico (PRD) parties requested that the Government of Mexico (GOM)

announce measures to confront U.S. agricultural subsidies under the Farm Bill 2002-2011.

Julian Luzanilla-Contreras, coordinator of PRI's rural congressmen and the PRD congressman

Demetrio Sodi, are promoting that the entire Lower House approve a Punto de Acuerdo, or a point of agreement. A Punto de Acuerdo, is a tool Mexican congressional representatives can use to urge the Executive Branch to take action on a particular subject. This particular Punto de Acuerdo proposes the establishment of a 60-day period for the Executive Branch to analyze and respond to the U.S. Farm Bill. In addition, PRI legislator, Juan Manuel Martinez-Nava, introduced another Punto de Acuerdo requesting that the Executive Branch officially raise Mexican objections to the U.S. Farm Bill before the NAFTA Advisory Committee on Agricultural Products. This second Punto de Acuerdo specifically proposes that the Executive Branch initiate negotiations to review Chapter VII of NAFTA, due to the fact that the "remarkable" increase in U.S. agricultural subsidies "contradicts" the agreement. Chapter VII of NAFTA deals with mechanisms to generate balanced competition. At the same time, the Punto de Acuerdo urged the Fox Administration to impose countervailing duties on corn and other products as well as to implement compensatory duties. According to Julian Luzanilla, the main argument behind these demands is that the Mexican agricultural sector has been the big loser under NAFTA. (Source: *El Financiero*, 6/05/02)

REPORTS SUBMITTED RECENTLY BY FAS/MEXICO CITY

REPORT #	TITLE	DATE
MX2088	Weekly Highlights & Hot Bites, Issue #19	5/31/2002
MX2089	Auction of Permits to Import Dairy Preparations Set for July 1	6/3/2002
MX2090	Mexico's Monthly Crop Update, May 2002	6/3/2002
MX2091	Increasing of Duty-Free Quotas for U.S. Poultry	6/4/2002
MX2092	Final Decision in Antidumping Case Against U.S. Long Grain White Rice	6/5/2002

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